

**TO: BOARD OF DIRECTORS**  
**FROM: EXECUTIVE COMMITTEE**  
**SUBJECT: SAWS PROPOSED RATE ADJUSTMENT**



**STATUS: ADOPTED**

**DATE: 05/20/2010**

**RECOMMENDATION:** That the Board of Directors of The Greater San Antonio Chamber of Commerce adopt the following statement as policy:

**STATEMENT:** The Chamber supports San Antonio Water System's proposal for 2010 rate increases for its wastewater, water supply and water delivery fees which will increase residential SAWS bills by an average of 6.5 percent. The proposed rate increases will allow SAWS to make necessary investments in wastewater infrastructure, water supply and water infrastructure for our community's long-term water needs.

**BACKGROUND:**

SAWS is recognized nationally as a leader in water conservation and water reuse and SAWS' rates are currently below the national average for cities comparable to San Antonio. Additionally, SAWS has continued to achieve operating cost efficiency with an ongoing reduction in staff members per customer within the organization. The organization has also made the decision to forego pay increases for 1,600 SAWS employees for the 2010 budget which was further cut by \$12 million, or another 5 percent, in April 2010.

The San Antonio Water System Water Resource Plan Updates in 2005 and 2008 both projected the need for rate increases to finance the capital costs of its water system facilities, diversification of its water resources, and essential waste water infrastructure. In preparing its budget for 2011, San Antonio Water System determined that rising costs require the organization to propose rate adjustments for the coming year. SAWS recommends a proposed adjustment to increase the wastewater fee by 11.9 percent, the water supply fee by 2.9 percent and the water delivery fee by 2.2 percent resulting in a combined increase for the average SAWS residential customer of 6.5 percent (based on 7,788 gallons water and 6,178 gallons sewer usage, excluding COSA Stormwater). The proposed average adjustment represents an increase of \$2.64 per month on the average combined monthly residential bill. The proposed 6.5 percent rate adjustment would generate \$20 million of revenue, which would be used to help fund the following:

- \$92 million of 2011 infrastructure replacements
- \$3.7 million of increased 2011 maintenance and utility costs
- \$79 million in water supply investment primarily on the Regional Carrizo and Brackish desalination projects

Because of the Rate Structure Proposal, the Rate Increase Proposal will have the largest impact on Residential customers using more than 17,205 gallons per month, and Commercial customers with Irrigation use of more than 11,680 gallons per month.

### **Water and Wastewater Infrastructure**

The proposed rate increase would pay for new water supplies and for the repair and replacement of aging infrastructure like water and sewer mains. SAWS' system has 5,038 water mains and 5,108 sewer mains. Around 25 percent of the system is over 40 years old. Thirteen percent of the system is over 50 years old and five percent is over 60 years old. SAWS projects a need of \$92 million in 2011 for infrastructure replacements, \$3.7 million of increased 2011 maintenance and utility costs, and \$3.7 million of increased 2011 maintenance and utility costs.

SAWS' 2011 proposed Capital Improvement Projects program include \$126 million dedicated to wastewater, \$48 million for water delivery, \$78 million for water supply and \$275,000 for heating and cooling. Of the total \$250 million, 55 percent is intended for replacement and 45 percent is for growth.

SAWS 5-year Capital Improvement Projects program is pending SAWS Board Approval, but the current plan is to spend \$1.5 billion on capital expenditures over the next several years. This includes \$494 million in spending on water resource development, \$608 million for repair and replacement of aging infrastructure and \$369 million in growth to develop additional capacity.

### **Water Supply**

SAWS plans to invest \$79 million in water supply resources in 2011 for diversification of water supply. These projects will produce more than 23,000 acre feet of non-Edwards supply in the future.

### **Proposed Rate Structure Adjustment**

The proposed rate structure was presented to the San Antonio City Council March 17, but SAWS was asked to delay the change so that it could be considered along with the proposed rate adjustment. Both proposals require approval by SAWS Board of Trustees and San Antonio City Council. The requests will be presented to Council on June 17.

SAWS Citizens' Advisory Committee recently developed a revised rate structure to make additional conservation a priority. The new Structure is designed to be a water conservation tool and is intended to reduce the amount of water that is used for outdoor irrigation. Outdoor irrigation constitutes 25 percent of the water used in San Antonio; the proposal would make excessive outdoor irrigation more expensive for residential and commercial customers. The Rate Structure Proposal is intended to save 1.4 billion gallons of water per year, or about 4,000 acre-feet, by sending a price signal to encourage lower outdoor water use. Based on today's water market 4,000 acre-feet has an acquisition value of approximately \$22 million.

- Pros-
1. The proposed rate increases will allow SAWS to make necessary investments in old wastewater infrastructure.
  2. The demand for less reliance on the Edwards Aquifer has been a priority for the community for a long while. Additional water resource projects are critical to the future security of water availability for San Antonio and our region.
  3. Even with the rate increase, San Antonio rate payers will still enjoy the second lowest water-rate in the State.
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1. The Rate Increase Proposal will have the largest impact on Residential customers using more than 17,205 gallons per month, and Commercial customers with Irrigation use of more than 11,680 gallons per month.
  2. The timing of the proposal, in the aftermath of an energy rate increase and recession makes it difficult for both businesses and residential customers.
  3. There is general confusion about the combination of a rate increase and rate structure change at the same time and not enough time has been given to educate those who will see the biggest rise in water costs.

**IMPLEMENTATION:** The Chamber will communicate this position to the SAWS Board of Trustees, to the Mayor and members of the City Council, the media and The Chamber membership through public testimony, letters, media releases and publication in *The Chamber Today*.

### Comparison of Bills Across Rate Structures

Projected Water Bill With Proposed Rate Structure & Rate Increase					
Water Usage <small>Gallons per Month</small>	Residential Standard	Residential Seasonal	General / Business	Irrigation Standard	Irrigation Seasonal
5,000	\$17.71	\$17.71	\$24.12	\$26.76	\$27.45
10,000	\$31.82	\$32.28	\$38.45	\$46.18	\$47.69
15,000	\$49.39	\$50.51	\$52.79	\$80.04	\$86.08
20,000	\$78.42	\$82.52	\$67.13	\$117.86	\$129.60
25,000	\$113.98	\$122.86	\$81.46	\$155.69	\$173.13
30,000	\$149.55	\$163.21	\$95.80	\$193.50	\$216.65
35,000	\$185.12	\$203.55	\$110.14	\$231.33	\$260.18
40,000	\$220.69	\$243.90	\$124.47	\$269.15	\$303.70
45,000	\$256.25	\$284.24	\$138.81	\$306.97	\$347.23
50,000	\$291.83	\$324.60	\$153.15	\$344.79	\$390.75